

Star BUSINESS



Inflation inches up in July, driven by food prices

MD ASADUZ ZAMAN

Inflation edged up in July on declining in the preceding three months, driven primarily by rising food prices, according to government data, renewing concerns over mounting pressure on consumers amid persistent supply side challenges.

In July, overall inflation stood at 8.55 percent, up from 8.48 percent in the previous month, according to the Bangladesh Bureau of Statistics (BBS).

Food inflation climbed to 7.56 percent in July, up from 7.39 percent a month earlier.

Food inflation has increased on falling for seven months since November last year, when it stood at 13.8 percent.

In July 2024, food inflation hit a record 14.10 percent, the first time in 13 years.

However, non-food inflation remained almost unchanged, inching up to 9.38 percent in July from 9.37 percent in June this year.

It has stood above 9 percent for the past two years. Economists and analysts warn that relying only on the monetary policy would not bring down inflation, as other loopholes need to be addressed timely.

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"Without addressing the underlying supply side issues, inflation won't come down sustainably only through the monetary policy," said Selim Raihan, a professor of economics at the University of Dhaka.

This happens as the seasonal relief, enabled by the ample market supplies which had reduced the prices, over the past few months has passed, he said.

"We were cautiously optimistic about inflation easing. But now we're seeing early signs of a reversal. Without fixing the fundamentals, that downward trend won't hold," added Raihan.

"Now, unresolved structural issues, especially supply-side bottlenecks, are causing prices to rise again, particularly of food items like rice," he said.

"Tackling inflation requires a coordinated effort between monetary policy, fiscal policy, and domestic market management," said Prof Raihan, also the executive director of the South Asian Network on Economic Modeling (Sanem).

"You can't isolate one and expect long-term results," he said.

"One of the biggest problems is we don't even have reliable data on supply and demand. Without that, how can we manage the market effectively?" he questioned.

Raihan said when there is a shortfall in domestic production, imports are not made in time.

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Govt food grain stock hits historic high

SUKANTA HALDER

Bangladesh's food grain stock has reached an all-time high of 21.54 lakh tonnes, as strong Boro procurement and lower distribution in July helped shore up reserves.

As of August 7, of the total, rice accounts for 19.81 lakh tonnes, wheat 1.73 lakh tonnes, and paddy nearly 98,400 tonnes, according to the food ministry data.

This surpasses the previous highest stock of 19.85 lakh tonnes recorded in February 2022, including 16.99 lakh tonnes of rice and 2.86 lakh tonnes of wheat.

"This record has been achieved due to good Boro production, a record amount of procurement, and alignment between market prices and government purchase rates," Md Masudul Hasan, secretary of the Ministry of Food, told The Daily Star yesterday.

The Directorate General of Food data showed that the lower distribution of government food grains in July also contributed to the stock reaching a record high.

According to the food secretary, this precautionary measure is being taken to ensure there is no rice shortage in the country, even if the upcoming Aman paddy harvest is affected.

Boro paddy, which accounts for more than half of Bangladesh's annual rice output, was cultivated on 50.69 lakh hectares of land this year, with a production target of 2.26 crore tonnes.

The government has set a target to procure 35,000 tonnes of paddy, 14 lakh tonnes of parboiled rice, and 35,000 tonnes of non-parboiled rice in the season.

The procurement price has been fixed at Tk 36 per kg for paddy and Tk 49 per

Contributors

High Boro procurement, low July distribution

16.97 lakh tonnes of rice, paddy procured so far

July distribution dropped to 1.15 lakh tonnes

Fewer OMS beneficiaries reduced distribution significantly

Record Food Grain Stock

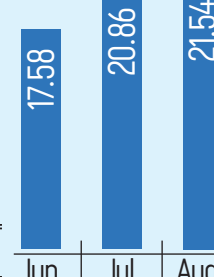
Total grain stock **21.54** lakh tonnes as of Aug 7, this year

Rice **19.73** lakh tonnes

Last highest stock was **19.85** lakh tonnes in Feb 2022

Government Food Stock Scenario In 2025
(In lakh tonnes)
* as of August 7

SOURCE: FOOD MINISTRY



Risks And Safeguards

By November, rice stock may fall below **10** lakh tonnes

Food budget includes **9** lakh tonnes of rice import target

Govt to import **4** lakh tonnes of rice initially

kg for rice. This Boro procurement drive, which began on April 14, will continue until August 31.

As of August 6, about 16.97 lakh tonnes of Boro paddy and rice had been procured, according to data from the Directorate General of Food.

"The amount of paddy and rice the government has procured so far is also the highest in Bangladesh's history," Md Moniruzzaman, director for the procurement division of the directorate.

"This has been made possible due to the government's prior planning regarding food security."

According to the Ministry of Food, the government's food grain storage capacity has also increased to 23.88 lakh tonnes in the current fiscal year following the completion of four modern silos in Madhupur, Barishal, Mymensingh, and Narayanganj.

Officials from the ministry further said ensuring food for nearly 18 crore people has become a major challenge for the government, as the

amount of arable land for food grain cultivation continues to shrink.

Ministry sources also said that seven silo warehouses are currently under construction across the country, each with a storage capacity of around 50,000 tonnes of food grain.

IMPORT STILL NECESSARY

Despite the good stock, rising domestic demand, a projected supply shortfall, and the risk of floods have prompted the government to move ahead with rice imports to ensure food security in the coming months.

The government recently decided to shorten the tender submission period for importing 4 lakh tonnes of rice.

Speaking on the matter, Food Adviser Ali Imam Majumdar said, "From July to November this year, the estimated demand for rice distribution at subsidised rates stands at around 13.78 lakh tonnes. In that case, projections suggest that by November 2025, the rice stock may fall below 10 lakh tonnes."

The marketable surplus of Aman rice is usually low. As a result, the internal procurement of Aman is limited, and there is no scope for food grain collection from domestic sources during the September to December period," he also

said. The food budget for the current fiscal year 2025-26 has allocated around 9 lakh tonnes of rice for import and 22.29 lakh tonnes for domestic procurement considering the potential risk of floods in August-September, the adviser noted.

"Besides, from December this year to March 2026, the estimated demand for rice distribution is about 8.83 lakh tonnes, and it is necessary to maintain a safe stock of 13.50 lakh tonnes of food grains," he said.

Total public sector demand for rice in the current fiscal year stands at 26.52 lakh tonnes. Even with a good domestic procurement, the government anticipates a shortfall of 4.03 lakh tonnes, which the initial import plan aims to bridge, according to Imam.

DISTRIBUTION DROP IN JULY

Total distribution in July dropped to 1.15 lakh tonnes, down from 1.65 lakh tonnes during the same period last year, earlier, according to the Directorate General of Food.

Distribution under the open market sale (OMS) programme also declined significantly.

The Trading Corporation of Bangladesh saw its rice distribution under OMS fall by 27,000 tonnes compared to July last year, due to a reduction in the number of beneficiaries from 1 crore to 55 lakh following reported irregularities.

Additionally, as the market price of flour was lower in July this year compared to the same month last year, the distribution of flour through the Directorate General of Food's OMS programme also decreased.

Last fiscal year, the Directorate General of Food distributed 27.80 lakh tonnes of subsidised food grains. In the current fiscal year, this amount has increased to 30.41 lakh tonnes.

"This is also a historic record in terms of distribution," said Md Abul Hasanath Humayun Kabir, director general of the Directorate General of Food.

He explained that previously, food grains were distributed over five months each year, but the duration has now increased to six months. Additionally, the number of beneficiaries has risen from 50 lakh to 55 lakh.

An economic check-in after one year of interim govt

Foreign exchange reserves (July 31)

- In 2024: \$20.48 billion [BPM6]
- In 2025: \$24.77 billion [BPM6]

Export

- In FY24: 44.46 billion
- In FY25: 48.28 billion

Import (July-May)

- In FY24: \$57.56 billion
- In FY25: \$60.24 billion

Revenue (NBR):

- In FY24: 3.62 lakh crore
- In FY25: 3.70 lakh crore

Remittance:

- In FY24: \$23.91 billion
- In FY25: \$30.32 billion

Inflation:

- July in 2024: 11.66%
- July in 2025: 8.55%

GDP growth

- In FY24: 4.22%
- In FY25: 3.97%



One year into its tenure, the interim government has a record of stark contradictions. While it successfully pulled the economy back from the brink of collapse, it has profoundly failed to restore the confidence of investors, leaving the economic future in a state of vulnerable uncertainty. The administration can point to clear successes. It reduced the rampant corruption of the previous regime, stopped the freelfall of foreign exchange reserves, and bolstered inflows of remittances through tighter financial monitoring. Stubbornly high inflation has also begun to ease. However, a deep crisis of confidence is crippling the economy. Both economists and business leaders agree that the investment climate is bleak. Private investment has stagnated, with credit growth dropping to a multi-year low and imports of capital machinery declining. This has led to slowing industries and rising unemployment.



AK Enamul Haque

Unrealistic to expect all reforms from interim govt

Says BIDS Director General AK Enamul Haque

AHSAN HABIB

Expecting an interim government to fix all the long-standing economic ills is neither realistic nor achievable, according to AK Enamul Haque, director general of the Bangladesh Institute of Development Studies (BIDS).

"It is not right to expect too much from an interim government, because long-term economic stability is not something that can be achieved during the tenure of such an interim setup," said the economist.

In an interview with The Daily Star marking the government's first year

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Anwar-ul-Alam Chowdhury

Investor confidence still fragile

Says BCI President Anwar-ul-Alam Chowdhury Parvez

JAGARAN CHAKMA

The interim government has yet to restore investor confidence, leaving the economy on an uncertain and fragile footing, according to Anwar-ul-Alam Chowdhury Parvez, president of the Bangladesh Chamber of Industries (BCI).

He said the investment climate remained bleak throughout the past year due to political uncertainty, institutional dysfunction and policy decisions taken without consulting key stakeholders.

"Why would businesses invest when there is no policy predictability

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Selim Raihan

Economic gains miss reform momentum

Says economist Selim Raihan

AHSAN HABIB

The interim government has managed to somewhat stem the bleeding of the economy over the past year, with rising exports and remittance inflows slowing the slide in foreign exchange reserves, according to Prof Selim Raihan.

The economist said the authorities have also curbed the widespread looting and corruption seen under the previous regime.

But political uncertainty has undermined business confidence, which in turn stifled job creation, said Raihan, executive director of South Asian Network on Economic Modeling (Sanem).

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Rizwan Rahman

Govt should stop treating private sector as an enemy

Says former DCCI president Rizwan Rahman

JAGARAN CHAKMA

Investor confidence has waned, private investment has slowed, and the disconnect between the private sector and policymakers has widened over the past year of interim government, said Rizwan Rahman, former president of the Dhaka Chamber of Commerce and Industry (DCCI).

He accused the interim government of treating the private sector not as partners, but as "suspects".

In an interview with The Daily Star marking one year of the government, the young entrepreneur said, "Anyone

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